HOUSING MARKET OUTLOOK

Hamilton

Canada Mortgage and Housing Corporation
www.cmhc.ca

Date Released: Spring 2006

New Home Market

Starts Will Moderate

Slower population growth, more choice in the resale home market and rising new house prices will cause housing starts to moderate in 2006. Housing starts are expected to edge down by two per cent to 3,080 units this year. While the 2006 level will be lower in comparison to the 16-year record set in 2004, starts will be in line with the preceding ten-year average.

The trend to watch in 2006 will be the increasing multiple-family home starts, of homes such as town houses and condominium apartments. As new single-detached home prices become increasingly out of reach for many first time buyers, the more inexpensive multiple-family home types will gain appeal. Discussions with local builders suggest that baby boomers, who are likely to be affluent home buyers, do not necessarily purchase larger homes but tend to select houses with upgraded amenities. Luxury condominium apartments and townhouses in pricey neighbourhoods such as Ancaster and Burlington will gain popularity among this segment of the population.

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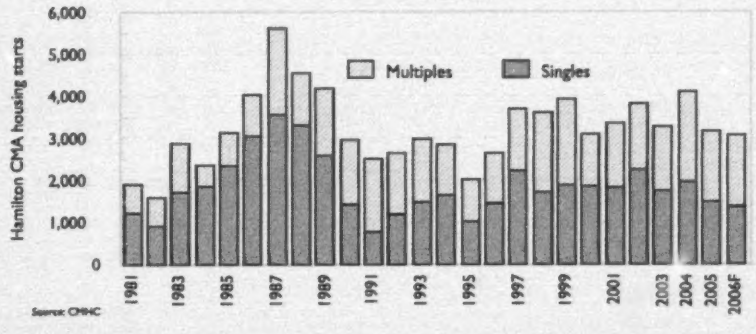
Escalating prices will dampen new single-detached home buying. Expect new detached home starts to fall by eight per cent to 1,380 homes in 2006. New detached homes in Hamilton (with the exception of those in Burlington, Ancaster and parts of Dundas) remain less expensive than equivalent homes in Toronto. Although the number of people moving to Hamilton from Toronto has lessened in recent years, comparatively low new detached house prices in Hamilton will continue to attract homebuyers from Toronto.

Starts Will Decline



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A rising supply of new listings in the resale market will increase the product choice both in terms of home type and price. Expect to see the New House Price Index, which captures the cost of land, labour and capital, edge down by 5.8 per cent in 2006 compared to a six per cent increase a year earlier. While new home prices are expected to moderate, detached home prices in expensive neighbourhoods are expected to jump. Expect the average new detached home price in Burlington and Ancaster to top $600,000.

Resale Market

Buoyant Sales

A stable employment outlook in Hamilton and low mortgage rates will keep existing home buying activity strong in 2006. Home sales in the Hamilton resale market are expected to reach 13,450 - down by just one per cent from an all time record set in 2005. Sales in 2006 will be the second highest level on record.

Rising mortgage rates will gradually erode affordability for many first-time home buyers. Some will opt for lower priced town houses and condominium apartments. Expect to see an increase in sales of resale multiple-family dwellings in 2006.

For nearly a decade, a low level of new listings characterised Hamilton's resale home market. This trend was reversed in late 2004 and listings have increased since. Expect the supply of new listings to continue its upward trend and rise by more than five cent in 2006. Homeowners are listing their homes for sale to take advantage of high home prices in Hamilton's hot housing market. It must be noted that though listings will increase this year, they will still remain well below the peak levels achieved in mid-1990s.

While most markets in Ontario are heading towards balanced market conditions, Hamilton will firmly remain a sellers' market with a SNLR above 70 per cent in 2006. The resale home market will remain tight, with high sales and a relatively low new listings supply. The sales-to new listings ratio (SNLR) is a good indicator of the state of the market. A market with a SNLR above 55 per cent tends to favour sellers and usually has price growth in excess of the general rate of inflation. A market tends to favour buyers if the SNLR falls below 40 per cent. A market with a ratio falling in-between is considered to be balanced and price growth will often be in line with the general rate of inflation.

The average resale home price will grow over seven per cent to reach $246,000 - or approximately three times the expected general rate of inflation in 2006. Burlington, Ancaster and Dundas are forecast to lead price growth within the Hamilton CMA.

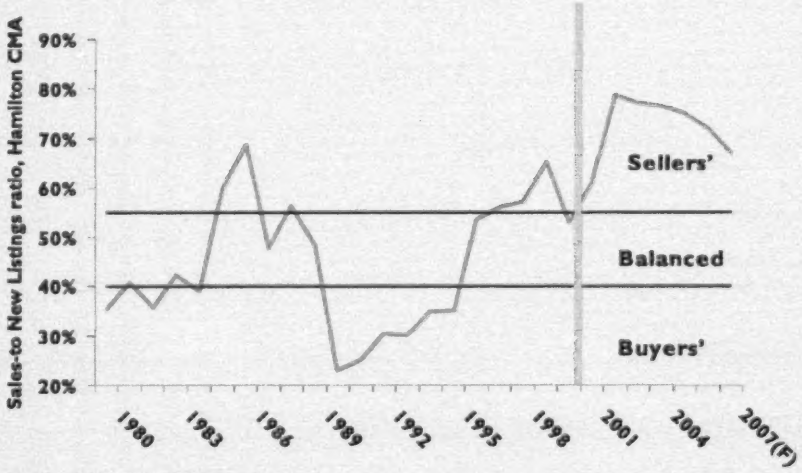
Rental Market

Vacancy Rates Will Edge Down

The rising cost of home-ownership as a result of slowly rising mortgage rates and rising house prices will help to boost rental demand in 2006. Expect to see the average apartment vacancy rate fall slightly to 4.2 per cent by end of this year and decline further in 2007.

The Ontario Rent Review Guidelines stipulates that rent increases on occupied units must be below 2.1 per cent in 2006. The average rent increase this year is expected to be in line with this guideline and below the general rate of inflation. Real rents have been on the decline since 2001 in Hamilton.

Strong Sellers Market Conditions



Source: CREA, CMHC (forecasts)

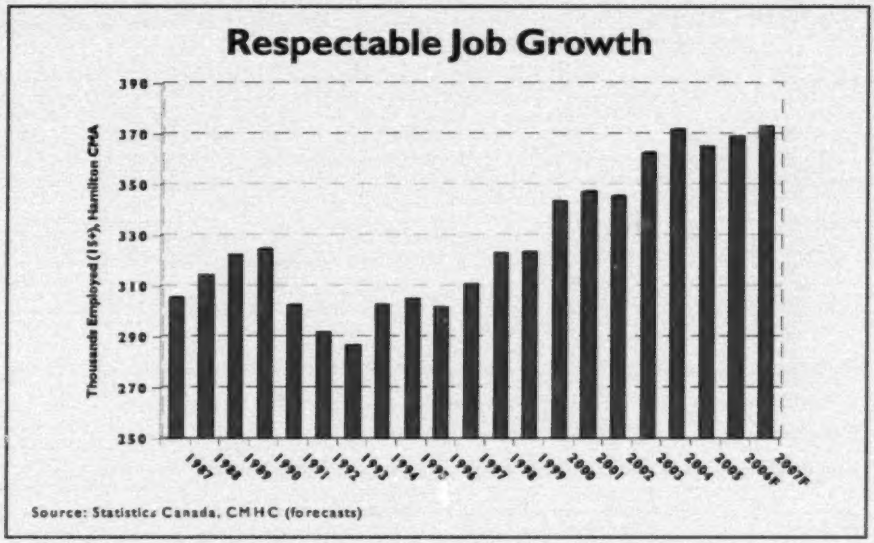
Economic Overview

Employment Rebound

Hamilton has enjoyed strong job growth for over a decade. Over 70,000 new jobs have been created and their positive spill over effects have been felt in the housing market. This trend was reversed last year. A strong Canadian dollar, manufacturing sector woes and falling intra-provincial migration had a dampening effect on Hamilton's employment in 2005. Employment dropped by nearly two per cent. The rising Canadian dollar will continue to act as a drag on exports in 2006, however, job creation is expected to improve slightly as the steel giant Stelco emerges out of bankruptcy protection and Dofasco regroups after a takeover. Employment is expected to increase by a moderate one per cent in 2006.

Rising oil prices had a negative impact on consumer confidence during much of 2005. This was evident from a downward shift in the Ontario Index of Consumer Attitudes in the third and fourth quarter of 2005. Consumer confidence has rebounded in the first quarter of 2006 and this momentum is expected to continue throughout this year. Positive consumer confidence bodes well for Hamilton's housing market as it translates into steady home buying activity.

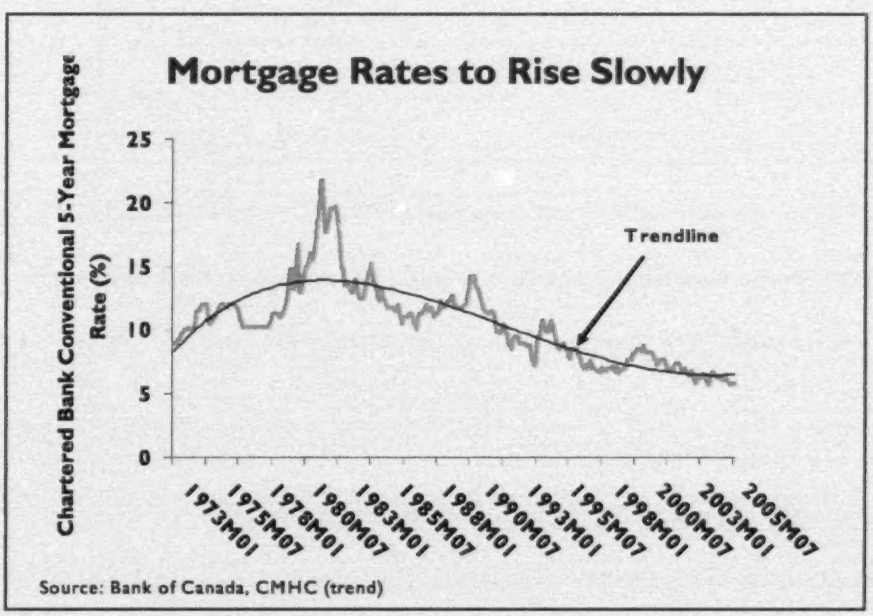
Hamilton's population growth will be led by migration as its demography is shaped by low birth rates and an aging baby boomer population. On the migration front, Hamilton will be losing migrants to western Canada thanks to an energy sector-driven job market. However, a pick-up in immigration combined with intra-provincial migration from Toronto should keep net migration stable. As a result, net migration is expected to remain flat at 4,000 persons in 2006.



Mortgage Rates Will Rise in 2006

Moderate inflation and a strong Canadian dollar vis-à-vis the U.S. dollar will help restrain the size and speed of Canadian interest and mortgage rate increases in 2006.

While still low by historical norms, mortgage rates are expected to rise gradually by 50-75 basis points in 2006. One, three and five-year mortgage posted rates are forecast to be in the 5.75-6.75, 6.00-6.75, and 6.25-7.25 per cent ranges respectively in 2006.



FORECAST SUMMARY
HAMILTON CENSUS METROPOLITAN AREA
Spring 2006

NEW HOME MARKET	2004	2005	2006F	% Change
Starts				
Single-detached	1,995	1,502	1,380	-8.1%
Multi-family	2,098	1,643	1,700	3.5%
Total	4,093	3,145	3,080	-2.1%
Average New House Price				
Single-detached	$316,705	$369,808	$436,500	18.0%
RESALE MARKET				
Hamilton-Burlington and District REB				
MLS[1] Sales	13,176	13,565	13,450	-0.8%
MLS New Listings	17,223	17,646	18,565	5.2%
Sales-to-Listings Ratio	76.5%	76.9%	72.4%	--
MLS Average Price	$215,922	$229,753	$246,000	7.1%
ECONOMIC OVERVIEW				
Mortgage Rate (1 year term)	4.59	5.06	6.27	--
Mortgage Rate (3 year term)	5.65	5.59	6.43	--
Mortgage Rate (5 year term)	6.23	5.99	6.78	--
Employed (000's)	372.0	365.0	369.0	1.1%
Employment Growth (000's)	-	-7.0	4.0	--
Net Migration	4,124	4,000F	4,000F	0.0%

Sources: CREA, Hamilton-Burlington and District Real Estate Board, Statistics Canada, and Conference Board of Canada

1 Multiple Listings Service (MLS) is a registered certification mark own by the Canadian Real Estate association (CREA)

F-Forecast

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